

AMENDED IN SENATE MAY 27, 2005

AMENDED IN SENATE MAY 3, 2005

AMENDED IN SENATE APRIL 13, 2005

SENATE BILL

No. 757

Introduced by Senator Kehoe
(Coauthor: Assembly Member Pavley)

February 22, 2005

An act to add Chapter 4.7 (commencing with Section 25370) to Division 15 of the Public Resources Code, relating to energy resources.

LEGISLATIVE COUNSEL'S DIGEST

SB 757, as amended, Kehoe. Oil Conservation, Efficiency, and Alternative Fuels Act.

Existing law requires the State Energy Resources Conservation and Development Commission to implement and administer various energy generation and conservation programs.

This bill would enact the Oil Conservation, Efficiency, and Alternative Fuels Act, which would declare that it is the policy of the state that state agencies ~~should~~ *shall* take all cost-effective and technologically feasible actions needed to ~~achieve a net zero increase in onroad petroleum consumption by 2010, and a significant reduction in petroleum demand and onroad petroleum consumption by 2020~~ *reduce the growth of petroleum consumption, and increase transportation energy efficiency and the use of alternative fuels*. The act would ~~further declare that~~ *require* state agencies ~~should~~ to take the state's ~~petroleum usage reduction~~ *transportation energy* goals into account in adopting rules and regulations, including the findings and

recommendations of the commission in the Integrated Energy Policy Report.

The bill would ~~authorize~~ *require* the State Air Resources Board, in ~~corporation with the South Coast Air Quality Management District and other state and local agencies to adopt regulations requiring~~ *adopting or amending rules and regulations to reduce air pollution and toxic air contaminants from motor vehicle fuels to consider requirements, incentives, and partnerships for fleet operators, both public and private to purchase and install alternative fuel vehicles and advanced transportation technologies where technologically feasible and cost effective, taking into account lower petroleum consumption, increased efficiency, and life cycle operating costs, public health, and environmental and energy benefits.*

The bill would require the California Environmental Protection Agency, in consultation with the State Air Resources Board, the Department of Toxic Substances Control, *the State Water Resources Control Board*, and air quality management districts throughout the state, to develop and ~~adopt~~ *consider adoption of* model rules ~~and regulations, best practices guidelines, and pollution strategies~~ to ensure that all petroleum refining, storage, waste treatment and disposal sources, irrespective of their date of original construction or installation, and to require installation of best available control technology and pollution prevention measures that reflect the best practices available for air and water pollution, and toxic generation over a 10-year phase in period not to extend beyond January 1, ~~2016~~ *2017*. The bill would provide that this requirement does not supersede any local or state law, regulation, or rule that is more stringent than, or requires an earlier compliance date than that required by this requirement.

The bill would require the commission to expand the scope of its oil industry price and supply reporting, monitoring, and analysis to include trends in world oil demand growth, including known and proven oil reserves. The bill would require the commission to refer to the Attorney General any cases in which the commission determines that there may be market abuse or unfair competition.

The bill would require the Secretary of the Business, Transportation and Housing Agency, ~~and the Secretary for Environmental Protection,~~ not later than ~~July 1, 2006~~ *March 31, 2007*, in consultation with the Department of Finance, *the Secretary of the California Environmental Protection Agency*, and the commission, to submit recommendations

to the Governor and the Legislature regarding alternative revenue sources to supplement or replace taxes on gasoline and diesel fuel, which may be used to fund state investment in the state's transportation infrastructure, as provided.

~~The bill would require the Secretary for Environmental Protection, not later than January 1, 2007, in consultation with the commission and the State Air Resources Board, to submit recommendations to the Governor and the Legislature regarding the cost-effective and technologically feasible measures needed to achieve a net zero increase in petroleum consumption by 2010, and a significant reduction in onroad petroleum consumption by 2020.~~

The bill would require the California Environmental Protection Agency, not later than January 1, 2007, *and every 3rd year thereafter*, with the assistance and consultation of the State Air Resources Board, the commission, and the South Coast Air Quality Management District to adopt recommendations, policies, and programs, as appropriate, ~~to increase the diversity of the state's transportation energy supplies~~ *reduce the rate of growth in petroleum consumption and increase transportation energy efficiency, and the use of alternative fuels*, as specified.

The bill would require the secretary to take action intended to influence the United States Congress and Department of Transportation to double the combined fuel economy of cars and light trucks by 2020, including performing analyses and participating in forums that the secretary deems useful. The bill would require all state agencies to cooperate with the secretary concerning this action.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Chapter 4.7 (commencing with Section 25370)
2 is added to Division 15 of the Public Resources Code, to read:

3
4 CHAPTER 4.7. OIL CONSERVATION, EFFICIENCY, AND
5 ALTERNATIVE FUELS ACT

6
7 25370. This section shall be known, and may be cited, as the
8 Oil Conservation, Efficiency, and Alternative Fuels Act.

1 25371. The Legislature finds and declares all of the
2 following:

3 (a) California's increasing demand for petroleum and rapidly
4 growing consumption of gasoline and diesel fuel pose substantial
5 risks to the state's economy and environment.

6 (b) Growing instability in global oil supplies and rapidly
7 increasing demand in China, India, and throughout the world are
8 likely to increase California's vulnerability to oil supply
9 disruptions and sudden price increases.

10 (c) Aggressive pursuit of energy efficiency and conservation
11 measures and expanded use of renewable energy sources have
12 been shown to help stabilize energy supplies and lower costs to
13 consumers during California's electricity crisis.

14 (d) California's current and future levels of oil demand and
15 rapidly growing consumption of gasoline and diesel fuel far
16 exceeds California's refinery capacity, which results in limited
17 competition and abuses of market power by oil suppliers and
18 refiners.

19 (e) Unless the state's rapid rate of growth in oil consumption
20 and rising levels of consumption of imported oil and petroleum
21 products are stabilized and gradually reduced, California is likely
22 to continue to experience price spikes and supply disruptions,
23 which will harm the state's economy and business climate.

24 (f) Cost-effective options exist today, including alternative
25 fuels and advanced technologies, such as hybrid electric vehicles,
26 which can lessen economic instability caused by high fuel prices
27 and price spikes, while reducing risks to public health and
28 environmental degradation caused by increased consumption of
29 petroleum fuel.

30 (g) The commission and the State Air Resources Board have
31 determined that improving the fuel efficiency of new vehicles
32 would dramatically reduce petroleum demand and that the
33 efficiency of new cars and light trucks can be improved
34 significantly with existing and emerging automotive
35 technologies.

36 (h) ~~Reducing the rate of growth and achieving a net zero~~
37 ~~increase in onroad petroleum consumption levels by 2010, and~~
38 ~~then achieving significant reductions in California onroad~~
39 ~~petroleum consumption by the year 2020~~ *increasing*
40 *transportation energy efficiency and the use of alternative fuels*

are technologically feasible and cost-effective public policy objectives, which will create new jobs, economic development, and investment opportunities in alternative fuels and advanced transportation technologies.

(i) Petroleum refineries are known sources of hazardous waste and toxic air pollutants, as well as groundwater and soil contamination, all of which are known to cause cancer, developmental and reproductive problems, and respiratory illness.

(j) Petroleum refinery workers and communities located in close proximity to a petroleum refinery are particularly vulnerable to the public health impacts associated with petroleum refining, and the petroleum refining industry should take every feasible measure to protect these exposed populations.

(k) The Governor, the Legislature, and state and local agencies should make every effort to reduce oil demand and consumption of petroleum fuels *the growth in oil demand and increase transportation energy efficiency and the use of alternative fuels* in California through aggressive public education regarding the environmental and economic risks caused by current and projected petroleum consumption, through sustained commitment and public agency procurement of energy efficiency and alternative transportation fuels, and by promoting the modernization and installation of best available technologies on California's oil refineries.

25372. (a) It is the policy of the State of California that state agencies ~~should~~ *shall* take every cost-effective and technologically feasible action needed to ~~achieve a net zero increase in onroad petroleum consumption by 2010, and a significant reduction in onroad petroleum consumption by 2020. As used in this section, "net zero increase" means no increase compared to 2006 consumption. Those state agencies should take the state's petroleum usage reduction~~ *reduce the growth of petroleum consumption and to increase transportation energy efficiency and the use of alternative fuels in California. State agencies shall take the state's transportation energy goals into account in adopting rules and regulations, including the findings and recommendations of the commission in the most recently adopted Integrated Energy Policy Report.*

1 (b) For purposes of this section, “technologically feasible”
2 means capable of being successfully accomplished taking into
3 account environmental, economic, social, and technological
4 factors.

5 25373. ~~The In adopting or amending rules and regulations to~~
6 ~~reduce air pollution and toxic air contaminants from motor~~
7 ~~vehicle fuels, the State Air Resources Board, in cooperation with~~
8 ~~the South Coast Air Quality Management District and other state~~
9 ~~and local agencies, may adopt regulations requiring fleet shall~~
10 ~~consider requirements, incentives, and partnerships for fleet~~
11 ~~operators, both public and private, to purchase and install~~
12 ~~alternative fuel vehicles and advanced transportation~~
13 ~~technologies where technologically feasible and cost effective,~~
14 ~~taking into account lower petroleum consumption, increased~~
15 ~~efficiency, and life cycle operating costs, public health, and~~
16 ~~environmental and energy benefits .~~

17 25374. (a) The California Environmental Protection Agency,
18 in consultation with the State Air Resources Board, the
19 Department of Toxic Substances Control, *State Water Resources*
20 *Control Board*, and air quality management districts, shall
21 develop and ~~adopt model rules and regulations to ensure that~~
22 ~~consider adoption of model rules, best practices guidelines, and~~
23 ~~pollution prevention strategies to ensure that~~ over a specified
24 10-year phasein period not extending beyond January 1, ~~2016~~
25 ~~2017~~, all petroleum refining, storage, and waste treatment and
26 disposal sources, irrespective of their date of original
27 construction or installation, install best available control
28 technology and pollution prevention measures that reflect the
29 best practices available for air and water pollution, and toxic
30 waste generation.

31 (b) The requirement of subdivision (a) shall not supersede any
32 other local or state law, regulation, or rule that is more stringent
33 than, or requires an earlier compliance date than that set forth in
34 subdivision (a).

35 25375. The commission shall expand the scope of its oil
36 industry price and supply reporting, monitoring, and analysis to
37 include trends in world oil demand growth, including known and
38 proven oil reserves. The commission shall refer to the Attorney
39 General any cases in which it determines that there may be
40 market abuse or unfair competition.

SEC. 2. Not later than ~~July 1, 2006~~ *March 31, 2007*, the Secretary of the Business, Transportation and Housing Agency ~~and the Secretary for Environmental Protection~~, in consultation with the Department of Finance, ~~the Secretary of the California Environmental Protection Agency~~, and the State Energy Resources Conservation and Development Commission, shall submit recommendations to the Governor and the Legislature regarding alternative revenue sources to supplement or replace taxes on gasoline and diesel fuel, which may be used to fund state investment in the state's transportation infrastructure. In developing the recommendations, the secretaries shall evaluate the economic feasibility of alternative financing measures, the potential to support needed levels of investment in transportation infrastructure, and the impact on social equity and mobility of low-income and disadvantaged citizens. In addition, consideration of those recommendations shall be given to determine the extent to which they are compatible with existing state policies to reduce petroleum consumption, accelerate the deployment of alternative fuels, and achieve air quality standards and global warming targets.

~~SEC. 3. Not later than January 1, 2007, the Secretary for Environmental Protection Agency, in consultation with the State Energy Resources Conservation and Development Commission and the State Air Resources Board, shall submit recommendations to the Governor and Legislature regarding the cost-effective and technologically feasible measures needed to achieve a net zero increase, as defined in Section 25372 of the Public Resources Code, in onroad petroleum consumption by 2010, and a significant reduction in onroad petroleum consumption by 2020.~~

~~SEC. 4.—~~

SEC. 3. (a) Not later than January 1, 2007 , *and every third year thereafter*, the California Environmental Protection Agency, with the assistance and consultation of the State Air Resources Board, the California Energy Commission, and the South Coast Air Quality Management District, shall adopt recommendations, policies, and programs, as appropriate, to ~~increase the diversity of the state's transportation energy supplies consistent with the goal of increasing the use of nonpetroleum fuels to 20 percent of onroad fuel consumption by 2020.~~ *reduce the rate of growth in*

1 *petroleum consumption and increase transportation energy*
2 *efficiency and the use of alternative fuels, and shall submit to the*
3 *Legislature an assessment of the transportation energy efficiency*
4 *and the alternative fuel policies adopted pursuant to subdivision*
5 *(a) of Section 25372. The assessment shall include the status of*
6 *adopted policies, integrated energy policy report*
7 *implementation, and alternative fuel fleet procurement and*
8 *infrastructure funding needs.*

9 (b) Development of the recommendations, policies, and
10 programs required pursuant to subdivision (a) shall integrate state
11 ambient air quality standards, including, but not limited to, those
12 for particulates, criteria pollutants, toxic air contaminants, and
13 greenhouse gases, to ensure that no ~~petroleum reduction strategy~~
14 ~~or alternative fuel policy impedes the state's ability to comply~~
15 ~~with transportation energy efficiency strategies or alternative~~
16 ~~fuel policies are consistent with attainment and maintenance of~~
17 ~~state and federal air quality standards.~~

18 ~~SEC. 5.—~~

19 SEC. 4. The Secretary for Environmental Protection shall
20 take action intended to influence United States Congress and the
21 United States Department of Transportation to double the
22 combined fuel economy of cars and light trucks by 2020. That
23 action shall include, but not be limited to, performing analyses
24 and participating in forums that the secretary deems useful. All
25 state agencies shall cooperate with the secretary concerning this
26 action.